

No. 17-804

IN THE
Supreme Court of the United States

EVE-USA, INC., SYNOPSIS EMULATION AND
VERIFICATION, S.A.S., SYNOPSIS, INC.,

Petitioners,

v.

MENTOR GRAPHICS CORPORATION,

Respondent.

On Petition for Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

**BRIEF OF *AMICI CURIAE*
LAW PROFESSORS AND PUBLIC KNOWLEDGE
IN SUPPORT OF PETITIONERS**

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INTEREST OF *AMICI CURIAE*

Amici curiae professors are 25 professors of intellectual property law at universities throughout the United States.¹ *Amici* professors have no personal interest in the outcome of this case, but a professional interest in seeing patent law develop in a way that efficiently encourages innovation.²

Amicus curiae Public Knowledge is a non-profit organization dedicated to preserving internet openness and public access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest in a balanced patent system, particularly with respect to new and emerging technologies.

SUMMARY OF ARGUMENT

The Federal Circuit's current doctrine of assignor estoppel is inconsistent with the decisions of this Court. In the decision below and prior decisions, the

¹ Pursuant to Rule 37.2(a), counsel for both parties received notice of intent to file this brief at least 10 days before its due date. The parties have consented to the filing of this brief; their written consents are on file with the Clerk. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund its preparation or submission. No person other than the *amici* or their counsel made a monetary contribution to the preparation or submission of this brief.

² A full list of *amici* law professors is contained in the Appendix.

Federal Circuit has expanded the doctrine far beyond the metes and bounds of this Court's increasingly narrow precedent, including to cases lacking any bad faith during negotiations and to cases where not only the inventor herself but also her privies are precluded from challenging an invalid patent.

The Federal Circuit's unwarranted expansion of assignor estoppel harms important public policy interests in invalidating bad patents, ensuring free competition, and promoting efficient mobility of employees. It broadly precludes inventors and their privies from challenging the validity of patents, even though invalidating bad patents is widely recognized as an important public good and even though inventors and their privies are at times in the best position to challenge bad patents. Moreover, the doctrine precludes important validity challenges even in the absence of any indication of bad faith. The doctrine also restricts employee mobility in ways that harm innovation and economic growth, and is particularly taxing on startups and the most innovative inventors.

This case presents an appropriate vehicle for this Court to correct the Federal Circuit's longstanding error. The Circuit has over many years and many decisions not only considered its version of the doctrine but consistently expanded it, even in the face of this Court's contrary precedent. In the case below, the full Circuit had an opportunity to revisit its doctrine and to curtail it to conform with the narrow decisions of this Court. It refused to do so.

This Court should grant certiorari to reject the Federal Circuit's erroneous doctrine.

ARGUMENT**I. The Decision Below Furthers the Federal Circuit’s Ongoing Expansion of Its Assignor Estoppel Doctrine Far Beyond This Court’s Precedent.**

This Court drew tight boundaries around assignor estoppel when it first considered the doctrine and has steadily narrowed it with exceptions and unfavorable commentary in more recent cases. At the same time, the Federal Circuit has continued to expand assignor estoppel, creating a substantial conflict with this Court’s precedents.

A. This Court Has Sharply Limited Assignor Estoppel.

This Court has tightly limited assignor estoppel to, at most, a slim set of cases. Its decisions permit inventors to narrow or even invalidate ill-granted patents. They ground any remnants of the doctrine in policing potential bad faith in bargaining. See *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 350 (1924) (“fair dealing” prevented an assignor from “derogating the title he has assigned”); see also *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U.S. 249, 251 (1945) (assignor estoppel’s “basic principle is . . . one of good faith”); Mark A. Lemley, *Rethinking Assignor Estoppel*, 54 Hous. L. Rev. 513 (2016).

This Court first considered—and constrained—assignor estoppel in *Westinghouse*. There, it held that an assignor may use prior art “to construe and narrow the claims of the patent, conceding their validity.” 266 U.S. at 351. Thus, while assignor estoppel at this early stage limited an assignor’s

ability to challenge the validity of a patent per se, she could nonetheless use prior art to narrow a patent enough to succeed in arguing that she had not infringed. *Id.*

Subsequent cases continued to limit assignor estoppel. In *Scott Paper*, the Court further curtailed the scope of assignor estoppel by permitting an inventor to show an expired patent covered his allegedly infringing products. 326 U.S. at 254. As a matter of public policy, assignor estoppel could not apply in cases “where the alleged infringing device is [technology from] an expired patent.” *Id.* at 258. This result flowed from the critical principle that patent law dedicates ideas in an expired patent to the public, and that after a patent’s expiration, the rights in an invention are no longer subject to private contract. *Id.* at 256-57. While *Scott Paper* dealt with expired patents, Justice Frankfurter noted that there was no difference between an expired patent as prior art and any other grounds for invalidity. *Id.* at 263 (Frankfurter, J., dissenting).

In *Lear, Inc. v. Adkins*, 395 U.S. 653, 666 (1969), this Court endorsed Justice Frankfurter’s reasoning, citing his dissent in concluding that, in the context of the analogous doctrine of licensee estoppel, “[t]he *Scott* exception had undermined the very basis of the ‘general rule’”). *Id.* *Lear* repudiated the licensee estoppel doctrine, which had prohibited a licensee from raising validity challenges. Instead, *Lear* allowed licensees to challenge validity in *all* cases.

In so doing, this Court observed that the *Westinghouse* limitation on assignor estoppel was “radically inconsistent” with estoppel’s premises, *id.* at 665, signaling similarly fatal flaws with the

rationale for assignor estoppel. In addition to echoing *Scott's* logic that the public interest in accessing technology in the public domain trumps estoppel, the *Lear* opinion concluded that “the spirit of contract law, which seeks to balance the claims of promisor and promisee in accord with the requirements of good faith,” did not justify licensee estoppel. *Id.* at 670.

Other public policy determinations were similarly compelling. *Lear* reasoned that a patent “simply represents a legal conclusion reached by the Patent Office.” *Id.* Given that “reasonable men [could] differ widely” as to a patent’s validity, it was “not unfair” that a patentee might have to defend the patent when a licensee placed it at issue. *Id.* Moreover, the public interest in “full and free competition” outweighed the interests of the licensor, especially when a licensee might be the only one with sufficient financial stake to challenge an invalid patent. *Id.* at 670-71. The *Lear* decision established that the public interest outweighed the rationale for estoppel, particularly when parties bargain in good faith.

These same principles apply as well to an assignor-turned-defendant. While it might be equitable in a narrow set of cases to prevent an inventor from directly deceiving the buyer of a patent about its validity, that is not the way most validity issues arise in today’s business and innovation environment. An inventor will have no special knowledge as to whether her invention is patentable subject matter, for example, whether the claims her lawyers may later write are indefinite, or whether her disclosure is sufficient to satisfy the written description requirement. These limitations are

particularly true of many employees today, who are required to assign their inventions without compensation before they have even invented them and therefore cannot possibly know whether claims that are not yet written to cover inventions that have not yet been conceived will eventually comply with patent validity doctrines.

B. The Federal Circuit’s Assignor Estoppel Doctrine Upheld Below Is Inconsistent With This Court’s Narrow Precedent.

While this Court’s *Lear* and earlier decisions left little—if any—ongoing room for assignor estoppel, the Federal Circuit has consistently extended the doctrine since *Lear*.

1. For example, the Federal Circuit expanded it well beyond the assignor to a wide range of parties in privity with assignors. *See, e.g., MAG Aerospace Indus., Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1380 (Fed. Cir. 2016) (affirming trial court’s finding of privity between inventor and company that had developed product before hiring him); *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1379 (Fed. Cir. 1998) (extending estoppel from corporate parent to subsidiary when assignment took place prior to parent’s purchase of subsidiary). This expansion of privity estops firms from challenging validity even if they use evidence obtained after assignment, or even if they can point to their own technology developed in house as prior art.

2. Similarly, the Federal Circuit has expanded assignor estoppel beyond cases where an inventor knowingly and voluntarily transfers a patent. *See, e.g., Carroll Touch, Inc. v. Electro Mech. Sys., Inc.*, 15

F.3d 1573, 1580 (Fed. Cir. 1993) (inventor did not realize he was transferring patent); *see also Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 794 (Fed. Cir. 1990) (inventor feared being fired if he did not file application). The Federal Circuit also has not limited its assignor estoppel doctrine to cases where an inventor or assignor misrepresents a patent's validity, or indeed makes any representation or warranty at all about the patent. Indeed, the Circuit has applied assignor estoppel where the assignee amended the claims in a patent after assignment, a circumstance in which the assignor clearly had no control over or ability to misrepresent the ultimate validity of the patent or scope of the claims. *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1226 (Fed. Cir. 1988).

These expansions of the assignor estoppel doctrine ignore this Court's recognition in *Lear* that important public policy considerations, including patent validity and full and free competition, represented in statutory patent law will often outweigh the narrow equitable interests, if any, that may justify estoppel. By contrast, the Federal Circuit has never once found the doctrine not to apply. *See Lemley, supra*, at 524.

II. The Decision Below Perpetuates a Doctrine that Undermines Important National Public Interests in Invalidating Bad Patents and Protecting Efficient Employee Mobility.

The decision below and the assignor estoppel doctrine it reflects undermine important public policy interests in invalidating bad patents, promoting free competition, and promoting efficient mobility of employees.

1. Eliminating invalid patents benefits the public because inventors can then use technology that rightfully is in the public domain without fear of being sued. Assignor estoppel improperly reduces this public benefit by preventing inventors and their privies from challenging a patent's validity. "Both [the Federal Circuit] and the Supreme Court have recognized that there is a significant public policy interest in removing invalid patents from the public arena." *SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1354 (Fed. Cir. 2005). Numerous scholars have provided substantial support for this important interest. See Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 Berkeley Tech. L.J. 943, 951-52 (2004); Roger Allen Ford, *Patent Invalidity Versus Noninfringement*, 99 Cornell L. Rev. 71, 110 (2013) ("a successful invalidity defense is a public good"); Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 Berkeley Tech. L.J. 667, 685-91 (2004). Indeed, the economic deadweight loss due to invalid patents has been estimated at around \$25.5 billion per year. T. Randolph Beard et al., *Quantifying the Cost of Substandard Patents: Some Preliminary Evidence*, 12 Yale J.L. & Tech. 240, 268 (2010).

In line with these interests, this Court has previously invalidated an agreement not to challenge a patent's validity, reasoning that "[a]llowing *even a single company* to restrict its use of an expired or invalid patent . . . 'would deprive . . . the consuming public of the advantage to be derived' from free exploitation of the discovery." *Kimble v. Marvel*

Entm't, LLC, 135 S. Ct. 2401, 2407 (2015) (emphasis added) (quoting *Scott Paper*, 326 U.S. at 256). The Court in *Kimble* reiterated that permitting a patentee to restrict use of technology claimed by an expired or invalid patent would “impermissibly undermine the patent laws.” *Id.* Similarly, the *Lear* decision repudiated licensee estoppel because “the strong federal policy favoring free competition in ideas which do not merit patent protection,” 395 U.S. at 656, outweighed any utility licensee estoppel provided. *Id.* at 663-64.

Invalidating bad patents is indisputably a public good. But defendants already naturally raise invalidity defenses less often than is socially desirable. Ford, *supra*, at 110-11 (noting defendants naturally under-assert invalidity in part because they do not fully capture the benefits of invalidating bad patents); Farrell & Merges, *supra*. Thus, restricting a defendant’s ability to assert invalidity and contribute to this public good is particularly unwarranted absent a strong countervailing policy.

No such countervailing policy justifies the current doctrine of assignor estoppel. Assignor estoppel prevents the inventor and her privies from challenging the inventor’s patents. Yet these parties are at times in the *best position* to challenge the patent. See Lemley, *supra*, at 536. The current doctrine even prevents these parties from challenging the scope of the claims, no matter how broad and how far removed they are from the inventor’s contribution. *Id.*

2. Assignor estoppel also interferes with efficient employee mobility and harms innovation. If an inventor starts a new company or changes employers,

she will be unable to practice her prior inventions even if the patents covering them are invalid. *See id.* at 537; *see also* Lara J. Hodgson, *Assignor Estoppel: Fairness at What Price?*, 20 Santa Clara Computer & High Tech. L.J. 797, 827-30 (2004). This effectively creates a 20-year unbargained-for, partial noncompete prohibition that disproportionately burdens startups and the most productive and innovative inventors. Lemley, *supra*, at 537-40.

Noncompete agreements are rightly disfavored in the law because economic evidence indicates such agreements harm innovation and economic growth. *Id.* at 538. Most states limit noncompete agreements in time and geographic scope. Other states flat out reject them. Peter S. Menell et al., *Intellectual Property in the New Technological Age* 87, 95-97 (2017 edition). Importantly, no state permits something like the 20-year partial noncompete that is effectively afforded by assignor estoppel. Lemley, *supra*, at 538.

The decision below is at odds with these important national economic and innovation interests. The Federal Circuit’s approach to assignor estoppel “particularly privileges invalid patents” and inhibits those in the best position to provide a public good from doing so, *id.* at 536. It is unwarranted as a matter of patent law and harmful as a matter of policy. This Court should grant certiorari to ensure that these harms do not continue.

III. This Case Presents an Appropriate Vehicle to Correct the Federal Circuit’s Erroneous Assignor Estoppel Doctrine

The panel below was constrained in its decision by existing Federal Circuit precedent. That precedent

is long-standing. Indeed, the Circuit has continued to expand it over time in a series of decisions, even in the face of plainly contrary Supreme Court authority. In the case below, the full Circuit had a clear opportunity to revisit its doctrine and to curtail it to conform with the narrow decisions of this Court. Petitioners and *amici* urged the Circuit to grant rehearing en banc to do so, detailing how the Federal Circuit assignor estoppel doctrine was contravened by this Court's decisions. The Circuit declined that opportunity and denied rehearing.

Judge Moore's concurrence in that denial took the position that, because Petitioners sought to abolish the doctrine of assignor estoppel and because this Court had once applied the doctrine, the Federal Circuit had no power to solve the problems created by assignor estoppel, even en banc. *See* Pet. App. 79a-84a.

Thus, only this Court can correct the Federal Circuit's erroneous doctrine and remedy the harms it causes to the public interest in challenging invalid patents, ensuring free competition, and allowing efficient employee and entrepreneur mobility. This case presents an appropriate opportunity for the Court to do so.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for certiorari.

Respectfully submitted,

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